



# Financial Counselling Industry Funding Model

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## Our commitment to inclusion

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The Salvation Army Australia acknowledges the Traditional Owners of the land on which we meet and work and pay our respect to Elders, past, present and future.

We value people of all cultures, languages, capacities, sexual orientations, gender identities and/or expressions. We are committed to providing programs that are fully inclusive. We are committed to the safety and wellbeing of people of all ages, particularly children.

Our values are:

- Integrity
- Compassion
- Respect
- Diversity
- Collaboration

Learn more about our commitment to inclusion:

[salvationarmy.org.au/about-us](https://salvationarmy.org.au/about-us)

The Salvation Army is an international movement and our mission is to preach the gospel of Jesus Christ and to meet human needs in his name without discrimination.





The Salvation Army thanks the Department of Social Services (the Department) for the opportunity to provide feedback on the design elements of the Financial Counselling Industry Funding Model (the Model). As a significant provider of financial counselling services and support in almost every jurisdiction in Australia, The Salvation Army is passionate about ensuring that the Model will provide broader services to all Australians who need them.

The Salvation Army seeks to make a small correction to the discussion paper regarding membership of the Financial Counselling Industry Funding Advisory Group (the Advisory Group).<sup>1</sup> The Salvation Army has not been invited to be a permanent member of the the Advisory Group. The Salvation Army is however a member of the industry peak body Financial Counselling Australia (FCA). It is through this membership, and at the invitation of FCA, that a representative of The Salvation Army attends meetings of the Advisory Body.<sup>2</sup>

## Principles

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The discussion paper outlines principles for the Model, which are focused upon the function and primary outputs of an independent body to collect and distribute industry contributions (the Body).

The first stated goal that Industry funding helps to address unmet demand and improves the predictability and stability of funding for financial counselling services must be expanded. The Model should have the capacity for funding decisions to anticipate future demand based upon changes in the economic cycle, be they changes in unemployment or other changes in the lending space. This is to ensure that funding can be directed in a proactive way to address community needs, whether that be changes in unemployment or other changes in the lending space.

Similarly, the final goal of the Model must go beyond its establishment. The Model should also contribute to improved coordination, innovation, capability building and enhanced service delivery across the financial counselling sector. The Model must promote diversity in providers to maximise the suitability of financial counselling services for people from all cultures, languages, capacities, sexual orientations, gender identities and/or expressions. Funding decisions must also encourage innovation in service delivery to further maximise service coverage.

Critically, the principles underpinning the establishment and operation of the Model must be focused on addressing the deep-rooted issue of financial capability and resilience. Without an overarching goal of ultimately preventing people from finding themselves in need of financial counselling, the Model serves only to chase its tail. True success for the Model is that it is no longer needed, that it will do itself out of a job.

Ultimately, *The Countervailing Power: Review of the coordination and funding for financial counselling services across Australia*, or *The Sylvan Review*, which called for this Body's establishment must also be recalled both in the creation and continued operation of the Body.

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<sup>1</sup> Refer pp. 4–5 of Discussion Paper (*What is the purpose of the Financial Counselling Industry Funding Advisory Group?*)

<sup>2</sup> As per one of the two positions allocated to FCA on the Financial Counselling Industry Advisory Group.





*Funding for financial counselling services is primarily provided by the Commonwealth and state and territory governments with some funding from philanthropic organisations. In addition, some businesses provide financial counselling services for their customers through contracts with organisations. Government funding, generally provided through grants, is essential for the continued delivery of services. As such, Commonwealth funding should be maintained and should not decrease, as should the funding from state and territory governments.<sup>3</sup>*

Independence and sector funding are important for the Body and its interaction with the Financial Counselling Sector. We must not, however, allow a set and forget mentality and maintaining the Body's independence, to excuse reduced funding from the Commonwealth or state governments.

## Design of the Independent Body

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The discussion paper makes mention of seed funding, and it is noted that earlier consultations sought views as to who would be the most appropriate recipient of this funding to establish the Body. The Salvation Army reiterates its previously conveyed position that there is merit in the Body being established as a statutory authority or corporation. If this were the case, the seed funding could be distributed directly to the Body from its creation, without the need for an entity, such as a large service provider, or a large financial institution to incorporate the Body.

By incorporating the Body through statute, its independence from both providers, and lenders would be strengthened and safeguarded, while allowing for a diversity of views to be considered. It would also detail the governance framework that would apply to the Body. The independence of the Body from government can be maintained through the composition of a governing board (the Board), as outlined below.

The process of establishing the Body through statute is not without cost. Doing so will both delay its establishment, and will likely limit some flexibility regarding its structure. But the permanence, neutrality, transparency and stability that a statutory entity may provide is worthy of consideration.

### Board structure and composition

As the Board will make key decisions, based on the strategic plan, it may be beneficial to have representation of the three major stakeholder groups who will interact with the sector; financial industry institutions (including Telecommunication and Utility Providers etc.), service providers, and community members (those who have experience accessing financial counselling in times of hardship). These three groups would provide the necessary insight, sector and consumer perspective experience to help the Board operate. This composition will provide diversity of views, give voice to end-users of financial counselling services, and ensure that the Board hears the perspective of key players, including consumers, in its decision-making.

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<sup>3</sup> Sylvan, L. (2019). *The Countervailing Power: Review of the coordination and funding for financial counselling services across Australia.*



The presence of service providers on the Board is necessary as the Advisory Group, is flagged as time limited and will be wound-up. Without the input of financial counselling service providers, the Board could drift from the strategic priorities of the sector. This does present some issues of possible conflict of interest, which is discussed later in regard to the Grants Advisory Committee. This incorporation of service providers and community members on the Board is superior to the suggested Advisory Committee, which has no stated security of tenure, an unclear mandate and is appointed by the Board itself. Without these traits, the strategic direction of the Model risks being directed by financial industry institutions.

The proposed Board composition should be enshrined in its constitution to ensure that it is not possible for one sector or group of sectors to have a majority of the board positions in a way that might frustrate the intention of the Body. It is also critical to ensure that community members remain independent of industry and sector influence.

In addition to these key stakeholders, the role of government needs to be considered. There is a need to balance government's experience and influence within the system with the need for independence of the Body. Having an *ex officio* representative, or an observer position for the Department of Social Services may provide for this balance.

An appointments subcommittee of the Board appears the logical mechanism for making appointments. Rules will be needed to ensure that this subcommittee is not dominated by any of the three stakeholder groups, and care must be taken to maintain the diversity of future boards, in line with the principles of diversity within the sector. This sub-committee would make recommendations to the Board, who would confirm or reject recommendations with consideration to the Principles of the Body and representation requirements within its constitution, as outlined above.

Should the Body be a statutory body, the inaugural board would be by appointment of the responsible Minister. Following on from the initial board, board appointments could then fall to the appointments subcommittee as suggested above.

## Conflicts and a Grants sub-committee

The Body must be transparent, and seen to be transparent, in its grant decision-making. There is also a need to manage conflicts of interest (real or perceived) which may arise with the Board membership and the necessary funding decisions. A Grant Advisory Committee (the GA Committee) may be the best way in which these goals can be achieved.

Should a financial counselling provider be included in the Board, there will be an actual or perceived conflict of interest between the director's duties to the Body, and their other employment with a provider. As such they would be required to recuse themselves from all decisions regarding funding distribution, which will likely be a significant component of the Body.

To ensure that a board composed of representatives of the community, the sector, and the industry, the proposed GA Committee, possibly as a sub-committee of the Board, would ensure that providers are able to participate in key decision-making and strategic planning. It would also permit the principles of diversity, financial resilience, meeting demand and skills building, without actual or perceived conflict of interest with their employment to underpin the work of the GA Committee. The



GA Committee would make recommendations regarding grant recipients and size to the Board for consideration and to provide the final sign off.

## Grant Activity

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The Board, and GA Committee must allocate grant funding to recipients in line with the Department's principles to guide the development of the industry funding model (the Principles).

Diverse providers must be included to ensure that there is both geographic coverages, as well as a distribution of funds to build culturally appropriate financial counselling services for Aboriginal and Torres Strait Islander people, people with disability, from all age groups and from culturally and linguistically diverse (CALD) backgrounds.

Funding must be allowed to be devoted to upskilling of providers and staff also to maintain the professionalism, up to date knowledge and practice of the sector.

Critically, it is key that future demand from community members is anticipated and pre-empted. Financial counselling services should be ready and on the ground in advance of economic shocks in a region from industry change or a rise of financial hardship based on other community specific factors wherever possible, and be responsive to the trends in lending or homelessness. Funding grants should support this goal.

What is still unclear is the role of the Body in grants administration. This can form a significant cost, and without assistance from a group like the Department's Community Grants Hub, the ability to monitor and ensure compliance of grant recipients may be a major burden upon the Body and its staff.

Some factors that may be relevant to consider are:

- Will there be any additional funding, or expertise from the Commonwealth to ensure that there is staffing, funding and skill to administer all grants issued by the Body?
- If not, will there be quarantining of funds to account for these costs?

Without this information, or clear consideration of the operation of the Body, it will be difficult to establish a sufficiently adaptable and robust constitution.

## Data Collection

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The Salvation Army acknowledges that the Department is currently undertaking work to improve the collection and analysis of data within the financial counselling sector. The way this data can be used and appropriately shared within the sector, including through the Body, to access, develop and refine service delivery strategies for the benefit of community members is critical.



Throughout the sector, data about community members accessing financial counselling is collected, recorded and reported slightly differently by and between providers. It would be incumbent upon the Body, and the Department, to drive a more unified reporting mechanism which should not impose an increased administrative burden upon providers. Further, providers must be able to keep access to their own collected data. This contrasts with the No Interest Loans Scheme, where data reporting requirements significantly limit a provider's access to information from clients, also inhibiting their ability to adapt their own practices to meet demand.

With an eye to data being helpful to anticipating trends in client need, Data Exchange information, which providers must provide to the Department, represents the best opportunity at this stage for comparable data. Similarly, collecting this data will not unduly take time from providers, and will also protect community member privacy.

Although de-identified, there are current risks associated with the Special Linkage Key process. As such, aggregated data from Data Exchange is, at this stage, the best data available for the Body to capture and share. This information will still provide the Body, and providers with an overview of demographic trends and will better equip providers and the Body to build capacity in appropriate skills and supports, tailored to groups in need.

Future improvements to data collection, such as outcome measurement, which would allow "apples" to be compared with "apples" can be implemented at a later date.

As the Data Exchange data collected by providers could become the intellectual property of the Body, consideration needs to be given to how the Body can share the data, especially with government, to further the Principles.

Data reports, with aggregated and de-identified information, could be shared with providers and the public, so that it is possible to see spikes and trends in community need, as well as any information about financial hardship or stresses that may be centred within specific cohorts. This will allow providers to adapt their service provision, steer the Body and funding applicants to upskill and fund areas to fight trends. It will also be helpful in maximising transparency and the logic of Body funding decisions.

## Other Initiatives supported by the Model

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The Industry funding should cover activities beyond frontline service provision, such as capability building throughout the sector, innovation and coordination of practice. The upskilling of providers and workforce development, as well as anticipating demand will be critical to the success of the Body and service delivery of the sector.

The funding must also go beyond generalist counselling. Services must meet the needs of the people accessing them which will include the need for specialist financial counselling. One-size-fits-all service provision, with cultural and urban homogeneity will not be sufficient. The geographic, cultural and economic diversity present within the community seeking financial counselling must also be present in the providers delivering the service.





The synergies arising and community benefit of providing financial counselling with other community services should also be carefully considered and prioritised. This includes, for example, where financial counselling can be provided collaboratively with emergency relief, general social work, microfinance, homelessness services and FDV services.

Where innovative and coordinated practices or provider training can improve the distribution or accessibility of financial counselling services to meet unmet, or future demand, there must be funding available. There must also be funding available for the development of dynamic and innovative models of service provision. This will preserve and foster diversity in service provision and help with adaptability to pre-empt future demands. Funding scope should include, but should not be limited to, workforce development and funding of programmes which improve financial capability and resilience. Initiatives which ensure preparedness for, and response to, disasters should also be nurtured by the Body.

Again, The Salvation Army thanks the Department for the opportunity to provide feedback and guidance upon the proposed Financial Counselling Industry Funding Model. We are hopeful that through this consultation process, along with the guidance of the Advisory Group, the finalised model will work to further develop the financial counselling sector and to improve our capacity to help prevent people encountering unmanageable debt.



## About The Salvation Army

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The Salvation Army is an international Christian movement with a presence in more than 130 countries. Operating in Australia since 1880, The Salvation Army is one of the largest providers of social services and programs for people experiencing hardship, injustice and social exclusion.

The Salvation Army Australia provides more than 1,000 social programs and activities through networks of social support services, community centres and churches across the country.

Programs include:

- Financial counselling, financial literacy and microfinance
- Emergency relief and related services
- Homelessness services
- Youth services
- Family and domestic violence services
- Alcohol, drugs and other addictions
- Chaplaincy
- Emergency and disaster response
- Aged care
- Employment services

As a mission-driven organisation, The Salvation Army seeks to reduce social disadvantage and create a fair and harmonious society through holistic and person-centred approaches that reflect our mission to share the love of Jesus by:

- Caring for people
- Creating faith pathways
- Building healthy communities
- Working for justice

We commit ourselves in prayer and practice to this land of Australia and its people, seeking reconciliation, unity and equity.

## Further Information

The Salvation Army would welcome the opportunity to discuss the content of this submission should any further information be of assistance. Further information can be sought from Major Paul Hateley, National Head of Government Relations, at [government.relations@salvationarmy.org.au](mailto:government.relations@salvationarmy.org.au) or on 0413 830 201.

